

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY RSA #4)	
CELLULAR GENERAL PARTNERSHIP FOR)	
ISSUANCE OF A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO PROVIDE)	
DOMESTIC PUBLIC CELLULAR TELECOM-)	CASE NO. 90-308
MUNICATIONS SERVICE TO THE PUBLIC)	
IN RURAL SERVICE AREA #4 (SPENCER))	
OF THE COMMONWEALTH OF KENTUCKY)	

O R D E R

On April 17, 1991, Kentucky RSA #3 Cellular General Partnership, d/b/a Bluegrass Cellular ("Bluegrass"), filed a motion and amended tariff requesting that it be exempted from 807 KAR 5:006, Section 7, and requesting that it be allowed to require a deposit not to exceed \$1,000 per customer. The tariff was suspended by Order dated May 14, 1991.

The Commission, having reviewed the motion and proposed tariff and being otherwise sufficiently advised, finds:

1. Commission Regulation 807 KAR 5:006, Section 7, allows a utility to require a deposit not to exceed two-twelfths (2/12) of the customer's estimated annual bill where bills are rendered monthly, three-twelfths (3/12) where bills are rendered bimonthly, and four-twelfths (4/12) where bills are rendered quarterly. The regulation also allows the utility to require an equal deposit from all applicants for the same class of service and requires that, if residential deposits are held longer than 18 months, the

customer be notified of the right to request a recalculation based upon actual usage.

Although the motion mentions a flat rate deposit, the proposed tariff would allow Bluegrass to require any amount between zero and \$1,000 without regard to estimated usage or customer class. This could result in discriminatory deposit amounts for customers of the same class with similar usage patterns. Further, there is no provision for recalculation based on actual usage.

2. Bluegrass claims that cellular radio telecommunications service is competitive and that a customer dissatisfied with the amount of deposit could choose the services of another. The primary benefit of competition is market control of prices for service rendered. The deposit provided for by 807 KAR 5:006, Section 7, was designed to ensure payment of utility services and is not a price for services rendered, but money belonging to the customer advanced for the purpose of guaranteeing payment for services rendered to the individual customer. Deposits should not be used as a competitive tool.

3. The proposed tariff provides that simple interest will be paid at the rate of 6 percent annually or at the company's option at a rate of 6 percent compounded. The provision to pay simple interest does not comply with the Commission's October 31, 1989 Order in Case No. 89-057¹ which specifies that, if not

¹ Case No. 89-057, Investigation Into the Customer Deposit Policy of Kentucky Power Company.

credited to the customer's bill or paid to the customer annually, interest must be computed by a method which will result in an amount not less than that obtained by using a middle course method between simple and compound interest. Under the middle course method, interest on the principal is not combined with the principal but becomes a new principal and earns simple interest; however, no interest is earned on the interest on the interest.

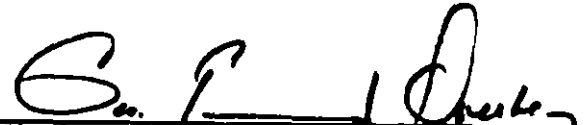
4. For the reasons set forth in Findings 1, 2, and 3 above, the proposed tariff should be denied.

5. Bluegrass states that it "must decline to provide service to some customers whose credit histories fail to meet certain standards, even though the customer is willing to pay the maximum deposit." The purpose of a deposit is to serve as a guaranty to secure payment of bills in lieu of other guaranty. A utility is required by law to provide service to any applicant who has complied with the Commission's regulations and the utility's currently effective tariffs. Bluegrass cannot refuse service based on credit history if an applicant is willing to pay a deposit calculated pursuant to the Commission's regulations as a guaranty to secure payment of bills.

IT IS THEREFORE ORDERED that the motion to file amended tariffs and the proposed tariff be and they hereby are denied.

Done at Frankfort, Kentucky, this 21st day of August, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director